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SUBJECT: PROPOSED KUWAITI INVESTMENT IN KENYA APPEARS RISKY
BUT LEGITIMATE

REF: NAIROBI 4741

¶1. (SBU) In response to ref. A, Post sees no reason to suspect Al-Bader International Development Company (AIDCO) of any involvement in illicit or terrorism-related activities as a part of its proposed development project (known as the ROOLA project) in the vicinity of Lamu, Kenya. Although AIDCO is a new entity which has not yet implemented any major projects, the Al-Bader Group, AIDCO's parent, is a well-established and well-respected Kuwaiti company which manages a diversified group of subsidiaries based in Kuwait and operating in the Middle East and Africa. The company has a long-standing relationship with Post's Commercial Section and the Arab-American Chamber of Commerce.

¶2. (SBU) On 15 November, Econoff and Commercial Attach received a briefing on the ROOLA project from Chairman and CEO Yousef Al-Bader, Vice President for Middle East Operations Mahrous Besiso, and General Manager Lubna Saif Abbas. All three are very Westernized, open, and able to speak intelligently about the business risks and opportunities associated with the project. ROOLA stands for railways, oil, (fiber) optics, Lamu Airport. The proposed scope of this multi-phased project roughly conforms to the summary provided in ref. A. Al-Bader made it clear to Emboffs that the project is still at a very preliminary, exploratory phase. No detailed feasibility studies have yet been conducted, no design work has been done, no firm commitments have been made, and Al-Bader has not yet begun to formally approach prospective investors. Al-Bader expects investors to come primarily from China, India and Arab countries. The project would be implemented on a BOOT (Build-Operate-Own-Transfer) basis with the building phase expected to take about ten years and the own/operate phase an additional 20 years. Al-Bader is seeking significant tax concessions from the Government of Kenya.

¶3. (SBU) Al-Bader's goal is to take advantage of the strong economic growth in parts of East Africa and the emerging political stability in southern Sudan. Given current capacity limitations in the port at Mombasa, Al-Bader sees the potential for Lamu to become a major regional trading center for commodities from Uganda, Ethiopia, southern Sudan, Kenya, and maybe Congo and Rwanda. However, before making any major commitment to the project, Al-Bader seeks further assurances that necessary road networks and reasonably open border crossings will be developed, that economic growth will be sustained, and that the political situation will remain stable (especially in southern Sudan). Al-Bader believes that his company is well-positioned to serve as a consultant, advisor, coordinator, and "investment consolidator" for this project. He cites a strong relationship between Kuwait and the people of southern Sudan due to the large amounts of

Kuwaiti aid that have flowed into the country. According to Al-Bader, Kenyan government officials approached him and asked him to spearhead the project based on a referral from some of his Sudanese contacts.

14. (SBU) Although the ROOLA project appears from our vantage point in Kuwait to be highly risky and perhaps overly ambitious, many of the mega-projects currently being explored and implemented by major Gulf investors and developers could be described in the same way. The current climate of high oil prices and rampant liquidity is leading many Gulf investors to consider high-risk projects in search of high returns. If ROOLA does eventually go forward, the project will clearly be a major gamble for its investors, but based on our research and contacts with AIDCO, we see no clear indication that the project is a cover for illicit activities.

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LeBaron